

A nutrition health and wellness company management essay



Nestle is a nutrition, health and wellness company which was formed by the merger of Anglo-Swiss milk company and Farine Lactee Henri Nestle.

Currently, this multinational Swiss company which operates in 86 countries with 443 factories globally has the largest revenue compared to other food companies. Nestle has approximately 8000 brands which consist of a widespread of products including coffee, confectionery items, instant noodles and many more. Sales at the end of 2011 were CHF 83642 million with a net profit of CHF 9804 million. Nestle has formed several joint ventures such as forming the Beverage Partners Worldwide with The Coca-Cola Company.

Management structure

Being a decentralized organization, Nestle's operating decisions involving pricing, distribution, marketing, human resources and so on are made by local units. At the same time, Nestle is organised into seven worldwide strategic business units (SBU) which are responsible for high-level strategic decisions and business development. One SBU would focus on coffee and another on ice cream. These units focus in overall strategic development which includes acquisitions and market entry strategy. Nestle uses local managers in uniting worldwide operations, as well as managers who work overseas. Lastly, Nestle used management development programmes as a strategic tool to create one spirit among managers.

The Research and Development comprises 18 groups which operate in 11 countries. Nestle spends approximately RM30 million annually on R&D and has over 3000 employees involved in this function.

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Planning

Mission

Nestle is a people-oriented system, which means that they believe in people rather than systems. Moving on, Nestle holds strong to the commitment of creating value for their shareholders. Nestle also strives to decentralize wherever possible to develop relevant products to meet specific needs of different cultures. Last but not least, the company is committed to continuous improvement rather than one off changes.

SMART Goals and Objectives

Nestle's primary objectives are to be recognized as the world leader in nutrition, health and wellness, trusted by all its stakeholders and to be the reference for financial performance in its industry. To accelerate the achievements of these objectives, Nestle has provided a set of strategic priorities, which are to create shared value for both the shareholders and the society while being successful in the long term, implement the Nestle culture, values and principles in managing the company, and create sustainable plans that complies with the law.

These goals are specifically stated, measurable in terms of the annual revenue compared with other companies, attainable as Nestle is to date still leading in the nutrition industry and relevant as there are over 283, 000 employees worldwide operating Nestle Global. Lastly, the 'time-bound' aspect only applies to objectives of various projects in Nestle such as "The

Nescafe Plan” which aims to invest CHF 500 million in coffee projects by 2020.

Action plans (strategies)

Nestle’s strategy was to enter the market much earlier than competitors, and narrow down the initial market focus to a few strategic brands which consisted of basic food items like infant milk powder, noodles, etc. Such an approach concentrated its marketing resources and managerial efforts on a limited number of key niches. Thus a strong market position was built in each niche product. By doing so, Nestle conquered 85% of the market for instant coffee in Mexico, 66% of the market for powdered milk in the Philippines, and 70% for soups in Chile. The company then progressed to introducing more upscale products into the market.

The second strategy Nestle uses to penetrate emerging markets is through customization instead of globalization. Nestle owns as many as up to 8500 brands, but only over 800 are made available in more than one country, which means Nestle ensures that only products with ingredients which suit the local conditions are made available to that particular country.

Other than that, the growth of Nestle is also contributed by several strategic initiatives such as the creation of Nestle Health Science, formation of two major partnerships in China, investments in different countries and acquisitions of other companies – one of the most critical factors which led to the company’s growth.

S. W. O. T Analysis

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Strengths

Nestle able to leverage strong brand name to generate sales, able to customize products to the local market conditions, has research and development capabilities.

Weaknesses

Nestle is introducing too many products too quickly may affect the brand's value.

Opportunities

Nestle now focuses on developing economies worldwide.

Threats

Nestle had been allegedly charged of unethical business activities, such as indirectly supporting child trafficking.

Organizing

Nestle is a decentralized and aligned organisation which shows an organic design instead of mechanistic. As Nestle is a multinational company which operates in more than 80 countries and employs more than 328, 000 employees, it is impossible for the Headquarters in Switzerland to keep track of all the departments' performances across the globe. Thus explains why decentralised power has been brought down to lower level employees. This means that Nestle encourages lower-level managers to provide input or make decisions in the company.

Nestle's organization designs are flexible for employees as they are not subjected to a high number of rules as well as high direct supervision from the top management. Besides, time saving as decision making can be done quickly without seeking permission from the higher authorities. Other than that, highly adaptive to the competitive and unpredictable external environment.

Nestle's organizational structure is hierarchical, meaning there is a chain of command that extends from the upper management to the lower management and clarifies who reports to whom. Orders are given by the upper management to the lower while suggestions are given by the lower to the upper. This structure encourages employees to share new ideas.

Formalization

Jobs at Nestle are formalised as there are specific job descriptions, many organisational rules and defined work procedures. Nevertheless, Nestle constantly keep a pace with the changing external environment while adapting to the changes. Therefore the organisation is strict but not rigid.

Functional Departmentalisation

At Nestle, tasks are divided into separate jobs and then grouped under different departments. Each department is managed by a manager who specialises in that particular field. For example employees whose specialisation is in psychology or sociology would work in the human resources department with a HR manager in charged.

Leading

At Nestle, managers aim to be leaders who not only lead but inspires their employees to gear towards results which would in turn add value to the company. Thus, Nestle leaders are required to understand and practice the following concepts. First, each leader leads to win. A leader is expected to display exemplary leadership and achievements as well as innovation in thinking and be willing to take risks. Second, leaders must manage for results. They must be courageous in facing problems and give proactive cooperation to create synergies among employees and themselves. Third, a leader should help employees discover and use their talents. Lastly, leaders should continuously look for ways to satisfy customers and engage with external parties such as the stakeholders, community, authorities and so on.

Besides that, Nestle motivates their employees by giving rewards and benefits. Those awards included ' Long-service Awards', ' Passion to Win' awards and Nestle Idea Award. These awards are specialized to recognize employees. For example, rewards are awarded to employees who have been the company for more than 30 years, achieved targets or came up with relevant and innovative ideas. Nestle's philosophy is to provide and maintain disciplined compensation programs which value long-term relationships with employees while recognizing individual performance. Nestle is also committed to offering compensation packages, including base pay, short and long-term incentives and benefits such as the Children Education Assistance Scheme.

Communication is also important. Nestle's management has worked honestly in dealing with people for efficient communication. Transparency through <https://assignbuster.com/a-nutrition-health-and-wellness-company-management-essay/>

sincere dialogue is the only basis for boosting continuous improvement in any aspects. Every employee has the right to converse with superiors or colleagues. This motivates supervisors and employees to exchange opinions while influencing each other to complete a task. Furthermore, there will be no room for intolerance, harassment or discrimination of any kind or lack of respect. This principle has no exception and is to be applied at all levels and under all circumstances in the company.

Controlling

Quality control

One of the successes behind this company is the high quality sustained by the company over the years. Nestle's product quality gives confidence to the customers and consumers in buying Nestle products and brands throughout the years. Nestle measures the performance and satisfaction by listening to customers' feedbacks. When mistakes and shortcomings are analyzed, prompt action will be taken for correction and improvement. Besides, understanding customer needs and meeting the satisfaction of the customer leads to the high quality of the products. Adequate resources, equipments, procedures and systems are provided to sustain the high quality of the product. The company never compromises on food safety and always complies with all applicable regulatory requirements. Nestle strive for zero defect and no wastage when it comes to quality. They focus on zero defects while seeking opportunities for continuous improvement of quality standards delivered to the customers and consumers.

Cost control

Nestle sources their agricultural raw materials directly from farmers, thus reducing the cost of production. The raw materials that they obtain from the farmers are required to meet the quality and safety standard which has been set by Nestle. Nestle reduces the consumption of water by reusing the fresh water and treated water which is eco-friendly to the environment. This in turns reduces costs of the company.

Workforce control

Workplace is also crucial for the employee to perform their tasks at the optimum level. Nestle encourages their employees to further improve themselves in terms of professional skills and knowledge in all levels of organization through training provided by the company. It treats its labourers and employees with respect and dignity by providing reasonable yet competitive pays, bonuses, overtime pays and other benefits. Overtime is given until an extent where it is reasonable and complies with local laws and regulations.

Key Success Factors of Nestle

Quality

Nestle's success would not happen without excellent quality control of their products. For example, Nestle follows the specific steps of a milk collection system, which shows how dairy products are made and brought to the consumer's table from the initial stages in the farm. Nestle also strives for zero error and continuously improve towards better quality to satisfy customers' needs.

Research and Development

At Nestle, R&D is a key competitive advantage which positioned Nestle as a world leader. In fact, Nestle has the largest R&D network than any food company in the world. Every year, Nestle invests about __% of their revenue in R&D.

At each stage of the product development process, Nestle further strengthens its R&D capability through Innovation Partnerships to come up with more innovative ideas which can further improve the existing products.

Innovation

Nestle continuously tries to improve their existing products with more innovative ideas. For example, dry pet food (Purina Petcare) now comes with a side opening and a side-carrying handle to give more convenience to customers who are pet owners.

Product Variation

Nestle has more than 8000 brands which consists of various product categories such as dairy products, coffee, cereal, instant noodles and many more. This gives customers a wide range of choice to choose from thus attracting more customers.

Packaging

At Nestle, products are packed in a way to suit the needs of different people. For example, cereal like Coco Crunch is available in big boxes for families

and smaller boxes for little children to bring to school. Nestle also uses their packaging to market their products and attract customers. For example, Milo packaging displays pictures of young athletes in order to give the youngsters the mindset that drinking Milo gives extraordinary energy and performance to them.

Major Challenges Nestle May Face In The Future

With the rise of sicknesses and diseases in this world, people are becoming more health conscious. Nestle, which claims to be a wellness and nutrition company must decide whether they want to take the risk by modifying products such as Maggi instant noodles by substituting MSG with organic ingredients.

Secondly, Nestle will face the challenge of maintaining its position as the world leader in the food and nutrition industry. This is due to the possibility of incoming new competitors in the market. New companies which sell organic products at lower prices may be a great threat to Nestle.

Besides that, as Nestle introduces more and more products, maintaining the quality of the production would be more difficult. Nestle would require better technology as well as employ more skillful and knowledgeable employees which could be a challenge as hiring good manpower requires money and time.

Global warming and other environmental issues are worsening each year. Industries of any kind are expected to work towards green technology in order to sustain the environment. Currently, Nestle is slowly growing towards

this aspect. However, in the future, Nestle needs to decide whether they want to invest even more in technology in this area.